



Association of Bay Area Governments
ABAG PLAN CORPORATION
Executive Committee - Meeting
Summary Minutes

June 4th, 2014
10:30am – 1pm

101 8th Street
Oakland, CA 94604
Conference Room B

Presiding:

Heather McLaughlin

Jurisdiction:

Benicia

Committee Members Present:

Jesse Takahashi
Kevin Bryant
Mike Taylor
Emma Karlen
Marc Zafferano
Nick Pegueros

Campbell
Woodside
Saratoga
Milpitas
San Bruno
Portola Valley

Present via Telecon:

Leslie Jensen

Morgan Hill

Legal Representatives:

Bob Lanzzone – PLAN Attorney

ABAG PLAN Corporation - Staff Present:

Jim Hill, ABAG PLAN Risk Manager
Herbert Pike – ABAG CFO
Kim Chase, ABAG PLAN Administrative Assistant

1. Meeting Called to Order:

Heather McLaughlin, called meeting to order at 10:32am

2. Public Comments:

No members of the public were present.

3. Approval of Minutes – May 29, 2013 and October 9, 2013

May 29, 2013 - /M/Bryant/S/Zafferano /C/Approved with one abstention from Karlen
(Whom was not present day of this meeting)

October 9, 2013 - /M/Bryant/S/Zafferano /C/Approved with one abstention from
Takahashi (Whom was not present day of this meeting)

4. Actuary Committee Report:

Jim thanked Mike Taylor for chairing this committee in the interim, as Kim Juran, former chairman left member city and committee. Actuary committee reviewed the 2014 report in great detail. Staff report provided to member with highlights of the study. Actuary results are showing significant improvement and PLAN funding levels continue to trend positively. This years' actuary report was supplemented with information regarding the impact of outsourcing PLAN Claims administration function. The reduction in administrative funding was reviewed by committee.

Action: Executive committee recommends the approval of the actuary report as presented with notation of impact of contract TPA services.

M/Taylor/S/Zafferano/C/Unanimous.

Staff presented an update on the analysis of risk transfer options within the PLAN \$5million retained layer (Insurance Program Review – PLAN Program Enhancement Options). Staff reported to the Executive committee on the progress of the study. The study is being dictated by PLAN program funding policy which requires a defined surplus position (ratio) to manage the current \$5 million self-insured program retention.

Staff informed the committee that two options are being evaluated; traditional excess and/or reinsurance insurance through Alliant and a pooled excess layer solution through CJPRMA. Data for the feasibility study is being gathered for final report to the Board of Directors at the June meeting. Executive committee noted that the SIR study (reduction) should be performed regularly to address any program surplus deficiencies.

5. Finance Committee Report - Herb Pike, CFO provided the committee with a review and update of PLAN Audited Financials and discussed financial performance to date. He noted that due to adverse claim experience and a significant change in reserves, PLAN financial statements were negatively impacted. Surplus has been reduced commensurately and assets were reduced correspondingly. Herb noted an audit finding on internal controls as it relates to bank reconciliations. The audit finding is being addressed.

Staff then reviewed the Financial Reports through March 2014. Claim reserves have reversed themselves and have come down significantly, due to favorable claim outcomes and a decrease in future expected losses. Year to date, PLAN is below budget on the Admin Fund and this will favorably impact reserves and our contingent funding requirement. Staff is looking for a motion to approve the report as presented.

Action: Executive committee recommends the approval of the PLAN Financial reports as presented. M/Bryant/S/Takahashi/C/Unanimous.

Staff discussed and presented two Resolutions; #01-2014 - Contingency Reserve Policy, and #02-2014 - Capital Reserve Accounts and requested approval as presented.

Resolution #01-2014 - Contingency Reserve Policy addressing PLAN contingency funding was presented to the committee for review and approval. Motion to approve resolution with noted amendments clarifying the amount of the contingent reserve target and required deficit funding. **M/Bryant/S/Taylor/C/Unanimous**

Resolution #02-2014 - Capital Reserve Accounts addressing the funding of depreciation of PLAN assets (automobiles) was presented to the committee for review and approval.

M/Takahashi/S/Pegueros/C/Unanimous

Jim Hill reviewed the PLAN Administrative budget with the committee in great detail. The budget for FY 2014/15 contained several permutations which allowed the committee to analyze and evaluate potential cost savings from contracting Claims Administration to a Third Party Administrator. Staff reviewed each scenario and the savings depicted in each based on proposals received from three vendors. Most of the savings were derived from a reduction in personnel expenses and corresponding overhead allocation charges. Staff noted that the Finance committee has reviewed the budget in its various forms and recognizes the substantial savings derived from utilizing a TPA. Nick Pegueros thanked Jim for his due diligence and noted his surprise in the amount of savings which superseded his expectations and gave him confidence in terms of PLAN's ability to manage future costs of the program. Jesse Takahashi thanked Jim for his continuous efforts in doing what he was charged to do.

Action: Motion to provide all proposed budgets to the full Board for approval with a committee recommendation to approve budget of \$2.5 million and contract TPA (York). M/Zafferano/S/ Pegueros/C/Unanimous

- 6. Risk Management Committee Report** - Jim presented the ABAG PLAN Update on Self Insured Liability Program report to committee members. Report covered current claim frequency and severity trends. PLAN total incurred loss values are down which is very favorable. Staff proposed a nominal increase in the program grant budget with no additional PLAN member contributions. The Risk Management committee is looking for a motion to get the funding approved at 3% for the Risk Management service credits, and adding \$350,000 for Risk Management grants, separate from consulting grants, which is \$2500 per year for each number. A spreadsheet was provided with all the data discussed.

Action: Motion to approve grant program funding allocations, as presented. M/Bryant/S/Taylor/C/Unanimous

- 7. Claims Committee Report** – Staff provided a brief report on claims reviewing both claims activity and reserves, noting that reserves continue to decline. Large loss reserves are down about \$3 Million (12.7%) with good closure activity/results. The claims committee was very active this year, and has met 9 out of 12 months. Staff noted that while we have paid some significant amounts, we are taking down significant reserves, as well.
- 8. Board Nominations 2014/2015** – Staff reviewed the Executive committee roster and noted Kevin Bryant – Vice Chairman would be stepping into the Chairman's role. Heather would remain on the Executive Committee. Mike Taylor would continue as chairman of the Risk Management committee and additional committee nominations would be sought. The Actuary Committee has been hard to fill and Jesse Takahashi was nominated for the Chairman of the Actuary Committee. Marc Zaferrano has offered to remain the chairman of the Claims Committee. After some discussion, staff agreed to put together a formal slate of nominations.

Action: Executive committee moves to accept the nominations as noted and will call for additional nominations at the board meeting. M/Taylor/S/Karlen/C/Unanimous

- 9. Board & Committee Calendar 2014/2015** – Staff presented a Committee Meeting Calendar and the Board of Directors roster for the upcoming year. Staff pointed out that the highlighted Board Member boxes on the roster denotes that these member representatives are still pending formal resolution by their jurisdiction's council designating them by name or title. Staff informed committee that Kim Chase will assist and work directly with members to ensure all required documents/resolutions are in place. Kim has developed and retains a

record of all pending board member action/activity. Staff is looking for a motion to approve the committee meeting calendar for next fiscal year.

Action: Executive committee moves to accept the PLAN Board and committee calendar, as presented. M/Bryant/S/Takahashi/C/Unanimous

10. Other Business; Conflict of Interest Code – Bob Lanzone reported that the PLAN COIC is still in the works with the FPPC. Full status report to follow at the upcoming board meeting. No other business was discussed.

11. Adjourn: Heather McLaughlin called meeting to adjournment at 1:28pm

Respectfully Submitted,

Jim Hill
PLAN Corporate Secretary
Risk Management Officer